



## Household Profile – Thembi South Africa

Thembi’s story illustrates that when emergencies arise, poor households often lack the tools to put together adequate financing to deal with them, causing the households to sink deeper into poverty.

Thembi is 50 years old and lives in a South African township. Her monthly income is \$169: she receives \$114 from her disability grant and earns \$55 from her part-time job. When her brother died from tuberculosis, Thembi was solely responsible for the \$1,413 funeral expense budget. While this cost may seem high, the fact is that

funerals are very important in the South African culture, and are expensive in proportion to annual income. The South African financial diaries suggest that households need to spend about seven months’ income on a single funeral.

Thembi held memberships with an informal burial society, a type of insurance for funeral expenses, but it didn’t cover the whole cost. She also belonged to a saving club, but didn’t have enough savings to cover the remaining expenses. Thembi patched together additional informal loans from relatives and grants, but still fell \$92 short. She could have sought a formal loan from a bank, but her lack of steady income and the small amount needed made her an unattractive loan candidate. Thembi decided to avoid the costly expense and added stress of visiting the bank where she would most likely be rejected anyway, and took out an interest-bearing loan from her a savings club. She spent the remainder of the year trying to pay back her loans. She paid back the burial society loan within two months, but failed to pay back her family or savings club by the end of the year.

**Sources and Uses of Funds for Thembi’s Brother’s Funeral**

Sources of Funds		Uses of Funds	
Payout from burial society	\$154	Undertaker	\$538
Contributions from relatives	539	Tent	91
Rental of tent by relative	91	Pots	35
Rental of utensils by relative	35	Food	649
Purchase of sheep by relatives	100	Sheep	100
Borrow from aunt’s burial society (no interest)	154		
Borrow from cousin’s savings club (30%/mo.)	92		
Borrow from cousin (no interest)	108		
Thembi’s grant money	92		
Brother’s grant money	49		
<b>Total</b>	<b>\$1,414</b>	<b>Total:</b>	<b>\$1,413</b>

When confronted with the unforeseen challenge of paying for her brother’s funeral, Thembi’s options for dealing with it were limited. To help her weather this crisis she would have benefited from access to better risk-coping tools, like formal insurance, and loans of a modest value that could have been taken quickly, on demand, and repaid in small (and, if necessary, irregular) installments.